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The Medicaid Financial Highlights report reviews current issues and trends in Medicaid financial operations. The Division of State Agency Financial Management prepares highlights on a periodic basis. For more information on this report call Dave McNally on extension 71398 or John Lemieux on extension 46876.

Trends in Federal Medical Assistance Percentages
Fiscal Years 1980-1987

This report provides a brief overview of trends in Federal Medical Assistance Percentages (FMAPs) from fiscal years (FYs) 1980 through 1987, and examines the impact of recently released FY 1986/1987 FMAPs on FY 1986 State Medicaid budget estimates. The FMAP rates contained in this report were obtained from the Office of Family Assistance, Social Security Administration, the unit responsible for calculating and publishing them. The FY 1986 budget estimates provided herein were submitted by the States on Form HCFA-25, Medicaid Program Budget Report, in August 1984.

The FMAP rates determine the amount of Federal matching in State Medical Assistance expenditures. Sections 1101 (a)(8) and 1905(b) of the Social Security Act require the Secretary of Health and Human Services to publish the FMAP rates each even-numbered fiscal year. The Federal government's share of a State's total Medicaid benefit payments is determined by a three-year moving average of the State's per capita personal income compared to the national average. Department of Commerce data on per capita income is used to calculate the percentages. States with high per capita incomes receive a smaller Federal share (though not less than 50 percent), while States with low per capita incomes receive a larger share up to a maximum of 83 percent.

The U.S. Senate Committee on Appropriations has expressed concern to the Health Care Financing Administration regarding inequities in the FMAP formulation process. Among the concerns is the fact that the per capita incomes used to compute the rates are at least two years old by the time the FMAPs become effective (e.g., the FY 1986/1987 rates are based on 1981 - 1983 per capita income data). It has also been argued that the match calculation does not adequately consider the variability of tax burdens and tax capacities among the States. The purpose of this report is not to address the arguments regarding the FMAP formulation process, but to highlight those States and geographical areas which have been most affected by recent FMAP rate changes. Table I presents a summary of the changes in FMAPs, by State and regional average, between the FY 1980/1981 rates and the FY 1986/1987 rates. Table II provides an analysis of the Federal share impact of the FY 1986/1987 FMAPs on the States' August 1984 budget estimates for FY 1986, which were prepared using the FY 1984/1985 rates because the new FMAPs were not then available.

TABLE I

Table I displays the regional and State trends in FMAP rates from FY 1980 through FY 1987.

- Region X and Region V exhibit the greatest increases in FMAP rates since FY 1980 (2.4 and 2.2 percentage points, respectively). Michigan experienced the largest individual State increase (6.8 percentage points) in FMAP rates largely as a result of its severe unemployment problem in recent years. Other States which display substantial percentage point increases are Oregon (5.9), Indiana (5.5), and Utah (4.6).

- Region VI and Region I show the greatest declines in FMAP rates since FY 1980 (3.0 and 1.9 percentage points, respectively). New Hampshire's and Oklahoma's FMAP rates are lower by 6.2 and 6.0 percentage points and lead those regions' declines.

- North Dakota experiences the largest FMAP rate reduction (6.3 percentage points) in the nation, primarily as a result of the State's excellent farm year in 1981.

TABLE I
TRENDS IN FEDERAL MEDICAL ASSISTANCE PERCENTAGES BY REGION

	FY 80/81 FMAP	FY 82/83 FMAP	CHANGE	FY 84/85 FMAP	CHANGE	FY 86/87 FMAP	CHANGE	TOTAL CHANGE
CONNECTICUT	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
MAINE	69.53	70.63	1.10	70.63	0.00	68.86	-1.77	-0.67
MASSACHUSETTS DPW	51.75	53.56	1.81	50.13	-3.43	50.00	-0.13	-1.75
MASSACHUSETTS BLIND	51.75	53.56	1.81	50.13	-3.43	50.00	-0.13	-1.75
NEW HAMPSHIRE	61.11	59.41	-1.70	59.45	0.04	54.92	-4.53	-6.19
RHODE ISLAND	57.81	57.77	-0.04	58.17	0.40	56.33	-1.84	-1.48
VERMONT	68.40	68.59	0.19	69.37	0.78	67.06	-2.31	-1.34
REGION I AVERAGE	58.62	59.07	0.45	58.27	-0.81	56.74	-1.53	-1.88
NEW JERSEY	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
NEW YORK	50.00	50.88	0.88	50.00	-0.88	50.00	0.00	0.00
PUERTO RICO	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
VIRGIN ISLANDS	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
REGION II AVERAGE	50.00	50.22	0.22	50.00	-0.22	50.00	0.00	0.00
DELAWARE	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
DISTRICT OF COLUMBIA	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
MARYLAND	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
PENNSYLVANIA	55.14	56.78	1.64	56.04	-0.74	56.72	0.68	1.58
VIRGINIA	56.54	56.74	0.20	56.53	-0.21	53.14	-3.39	-3.40
WEST VIRGINIA	67.35	67.95	0.60	70.57	2.62	71.53	0.96	4.18
REGION III AVERAGE	54.84	55.25	0.41	55.52	0.28	55.23	-0.29	0.39
ALABAMA	71.32	71.13	-0.19	72.14	1.01	72.30	0.16	0.98
FLORIDA	58.94	57.92	-1.02	58.41	0.49	56.16	-2.25	-2.78
GEORGIA	66.76	66.28	-0.48	67.43	1.15	66.05	-1.38	-0.71
KENTUCKY	68.07	67.95	-0.12	70.72	2.77	70.23	-0.49	2.16
MISSISSIPPI	77.55	77.36	-0.19	77.63	0.27	78.42	0.79	0.87
NORTH CAROLINA	67.64	67.81	0.17	69.54	1.73	69.18	-0.36	1.54
SOUTH CAROLINA	70.97	70.77	-0.20	73.51	2.74	72.70	-0.81	1.73
TENNESSEE	69.43	68.53	-0.90	70.66	2.13	70.20	-0.46	0.77
REGION IV AVERAGE	68.84	68.47	-0.37	70.01	1.54	69.41	-0.60	0.57
ILLINOIS	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
INDIANA	57.28	56.73	-0.55	59.93	3.20	62.82	2.89	5.54
MICHIGAN	50.00	50.00	0.00	50.70	0.70	56.79	6.09	6.79
MINNESOTA	55.64	54.39	-1.25	52.67	-1.72	53.41	0.74	-2.23
OHIO	55.10	55.10	0.00	55.44	0.34	58.30	2.86	3.20
WISCONSIN	57.95	58.02	0.07	56.87	-1.15	57.54	0.67	-0.41
REGION V AVERAGE	54.33	54.04	-0.29	54.27	0.23	56.48	2.21	2.15

TABLE I
TRENDS IN FEDERAL MEDICAL ASSISTANCE PERCENTAGES BY REGION

	FY 80/81 FMAP	FY 82/83 FMAP	CHANGE	FY 84/85 FMAP	CHANGE	FY 86/87 FMAP	CHANGE	TOTAL CHANGE
ARKANSAS	72.87	72.16	-0.71	73.65	1.49	73.83	0.18	0.96
LOUISIANA	68.82	66.85	-1.97	64.45	-2.40	63.81	-0.64	-5.01
NEW MEXICO	69.03	67.19	-1.84	69.39	2.20	68.94	-0.45	-0.09
OKLAHOMA	63.64	59.91	-3.73	58.47	-1.44	57.60	-0.87	-6.04
TEXAS	58.35	55.75	-2.60	54.37	-1.38	53.56	-0.81	-4.79
REGION VI AVERAGE	66.54	64.37	-2.17	64.07	-0.31	63.55	-0.52	-2.99
IOWA	56.57	55.35	-1.22	55.24	-0.11	58.90	3.66	2.33
KANSAS	53.52	52.50	-1.02	50.67	-1.83	50.00	-0.67	-3.52
MISSOURI	60.36	60.38	0.02	61.40	1.02	60.62	-0.78	0.26
NEBRASKA	57.62	58.12	0.50	57.13	-0.99	57.11	-0.02	-0.51
REGION VII AVERAGE	57.02	56.59	-0.43	56.11	-0.48	56.66	0.55	-0.36
COLORADO	53.16	52.28	-0.88	50.00	-2.28	50.00	0.00	-3.16
MONTANA	64.28	65.34	1.06	64.41	-0.93	66.38	1.97	2.10
NORTH DAKOTA	61.44	62.11	0.67	61.32	-0.79	55.12	-6.20	-6.32
SOUTH DAKOTA	68.78	68.19	-0.59	68.31	0.12	67.82	-0.49	-0.96
UTAH	68.07	68.64	0.57	70.84	2.20	72.62	1.78	4.55
WYOMING	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
REGION VIII AVERAGE	60.96	61.09	0.14	60.81	-0.28	60.32	-0.49	-0.63
AMERICAN SAMOA	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
ARIZONA	61.47	59.87	-1.60	61.21	1.34	62.28	1.07	0.81
CALIFORNIA	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
GUAM	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
HAWAII	50.00	50.00	0.00	50.00	0.00	51.00	1.00	1.00
NEVADA	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
NORTHERN MARIANA ISLANDS	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
REGION IX AVERAGE	51.64	51.41	-0.23	51.60	0.19	51.90	0.30	0.26
ALASKA	50.00	50.00	0.00	50.00	0.00	50.00	0.00	0.00
IDAHO	65.70	65.43	-0.27	67.28	1.85	69.36	2.08	3.66
OREGON	55.66	52.81	-2.85	57.12	4.31	61.54	4.42	5.88
WASHINGTON	50.00	50.00	0.00	50.00	0.00	50.06	0.06	0.06
REGION X AVERAGE	55.34	54.56	-0.78	56.10	1.54	57.74	1.64	2.40

TABLE II

Table II displays the Federal share impact of the FY 1986 State medical assistance payment estimates converted from FY 1984/1985 FMAPs to FY 1986/1987 FMAPs.

- Based on their August 1984 estimates, the States are expected to gain an additional $140.3 million of Federal funds in FY 1986 as a result of the conversion.

- Region V shows the largest anticipated increase ($218.2 million) in Federal reimbursement. High unemployment rates recently experienced by Michigan raised that State's FMAP from 50.70 percent in FY 1984/1985 to 56.79 percent in FY 1986/1987. The resulting $117.6 million increase in Federal funds to Michigan leads the nation. The FMAP rate changes will also provide Ohio and Indiana with additional Federal reimbursement of $63.1 million and $21.2 million, respectively.

- Region IV and Region VI will experience the greatest loss in Federal matching funds, $47.5 million and $25.4 million, respectively. The migration of industry and population into some of the southern States has fueled their increases in per capita income. Florida's Federal reimbursement drop of $28.0 million represents the most substantial dollar decline in the nation.

- North Dakota and New Hampshire exhibit the largest estimated percentage declines in Federal matching funds of 10.1 percent and 7.6 percent, respectively, as a result of the conversion.

TABLE II

CONVERSION OF FY 1986 STATE MEDICAL ASSISTANCE PAYMENT ESTIMATES TO FY 1986/1987 FMAPS

FEDERAL SHARE IMPACT, DOLLARS IN THOUSANDS

	TOTAL COMPUTABLE FY 86 MAP ESTIMATE (AUGUST 15, 1984)	FY 84/85 FMAP	FED SHARE FY 84/85 FMAP	FY 86/87 FMAP	FED SHARE FY 86/87 FMAP	DIFFERENCE FED SHARE FY 86/87 FMAP
CONNECTICUT	638,204	50.00	319,102	50.00	319,102	0
MAINE	259,014	70.63	182,942	68.86	178,357	(4,585)
MASSACHUSETTS DPW	1,531,781	50.13	767,882	50.00	765,891	(1,991)
MASSACHUSETTS BLIND	30,032	50.13	15,055	50.00	15,016	(39)
NEW HAMPSHIRE	136,563	59.45	81,187	54.92	75,000	(6,187)
RHODE ISLAND	281,604	58.17	163,809	56.33	158,628	(5,181)
VERMONT	106,550	69.37	73,914	67.06	71,452	(2,462)
REGION I TOTAL	2,983,748		1,603,891		1,583,446	(20,445)
NEW JERSEY	1,291,806	50.00	645,903	50.00	645,903	0
NEW YORK	8,750,284	50.00	4,375,142	50.00	4,375,142	0
PUERTO RICO	307,964	50.00	63,400 *	50.00	63,400 *	0
VIRGIN ISLANDS	3,618	50.00	1,809 *	50.00	1,809 *	0
REGION II TOTAL	10,353,672		5,086,254		5,086,254	0
DELAWARE	78,988	50.00	39,494	50.00	39,494	0
DISTRICT OF COLUMBIA	330,525	50.00	165,263	50.00	165,263	0
MARYLAND	714,161	50.00	357,081	50.00	357,081	0
PENNSYLVANIA	2,014,455	56.04	1,128,901	56.72	1,142,599	13,698
VIRGINIA	624,231	56.53	352,878	53.14	331,716	(21,162)
WEST VIRGINIA	183,158	70.57	129,255	71.53	131,013	1,758
REGION III TOTAL	3,945,518		2,172,872		2,167,166	(5,706)
ALABAMA	453,430	72.14	327,104	72.30	327,830	726
FLORIDA	1,243,092	58.41	726,090	56.16	698,120	(27,970)
GEORGIA	809,562	67.43	545,888	66.05	534,716	(11,172)
KENTUCKY	538,245	70.72	380,647	70.23	378,009	(2,638)
MISSISSIPPI	403,723	77.63	313,410	78.42	316,600	3,190
NORTH CAROLINA	750,366	69.54	521,805	69.18	519,103	(2,702)
SOUTH CAROLINA	458,671	73.51	337,169	72.70	333,454	(3,715)
TENNESSEE	698,000	70.66	493,207	70.20	489,996	(3,211)
REGION IV TOTAL	5,355,089		3,645,320		3,597,828	(47,492)
ILLINOIS	1,795,000	50.00	897,500	50.00	897,500	0
INDIANA	733,940	59.93	439,850	62.82	461,061	21,211
MICHIGAN	1,931,110	50.70	979,073	56.79	1,096,677	117,604
MINNESOTA	1,139,296	52.67	600,067	53.41	608,498	8,431
OHIO	2,206,062	55.44	1,223,041	58.30	1,286,134	63,093
WISCONSIN	1,172,139	56.87	666,595	57.54	674,449	7,854
REGION V TOTAL	8,977,547		4,806,126		5,024,319	218,193

TABLE II

CONVERSION OF FY 1986 STATE MEDICAL ASSISTANCE PAYMENT ESTIMATES TO FY 1986/1987 FMAPS

FEDERAL SHARE IMPACT, DOLLARS IN THOUSANDS

	TOTAL COMPUTABLE FY 86 MAP ESTIMATE (AUGUST 15, 1984)	FY 84/85 FMAP	FED SHARE FY 84/85 FMAP	FY 86/87 FMAP	FED SHARE FY 86/87 FMAP	DIFFERENCE FED SHARE FY 86/87 FMAP
ARKANSAS	380,568	73.65	280,288	73.83	280,973	685
LOUISIANA	869,735	64.45	560,544	63.81	554,978	(5,566)
NEW MEXICO	164,538	69.39	114,173	68.94	113,432	(741)
OKLAHOMA	466,117	58.47	272,539	57.60	268,483	(4,056)
TEXAS	1,935,969	54.37	1,052,586	53.56	1,036,905	(15,681)
REGION VI TOTAL	3,816,927		2,280,130		2,254,771	(25,359)
IOWA	389,688	55.24	215,264	58.90	229,526	14,262
KANSAS	268,238	50.67	135,916	50.00	134,119	(1,797)
MISSOURI	579,431	61.40	355,771	60.62	351,251	(4,520)
NEBRASKA	188,002	57.13	107,406	57.11	107,368	(38)
REGION VII TOTAL	1,425,359		814,357		822,264	7,907
COLORADO	365,363	50.00	182,682	50.00	182,682	0
MONTANA	102,771	64.41	66,195	66.38	68,219	2,024
NORTH DAKOTA	122,792	61.32	75,296	55.12	67,683	(7,613)
SOUTH DAKOTA	104,121	68.31	71,125	67.82	70,615	(510)
UTAH	170,500	70.84	120,782	72.62	123,817	3,035
WYOMING	35,469	50.00	17,735	50.00	17,735	0
REGION VIII TOTAL	901,016		533,815		530,751	(3,064)
AMERICAN SAMOA	2,300	50.00	1,150 *	50.00	1,150 *	0
ARIZONA	104,392	61.21	63,898	62.28	65,015	1,117
CALIFORNIA	4,240,454	50.00	2,120,227	50.00	2,120,227	0
GUAM	3,400	50.00	1,700 *	50.00	1,700 *	0
HAWAII	166,141	50.00	83,071	51.00	84,732	1,661
NEVADA	78,619	50.00	39,310	50.00	39,310	0
NORTHERN MARIANA ISLANDS	850	50.00	425 *	50.00	425 *	0
REGION IX TOTAL	4,596,156		2,309,781		2,312,559	2,778
ALASKA	69,384	50.00	34,692	50.00	34,692	0
IDAHO	82,044	67.28	55,199	69.36	56,906	1,707
OREGON	258,896	57.12	147,881	61.54	159,325	11,444
WASHINGTON	616,316	50.00	308,158	50.06	308,528	370
REGION X TOTAL	1,026,640		545,930		559,451	13,521
NATIONAL TOTAL	43,381,672		23,798,476		23,938,809	140,333

* THE TERRITORIES' EXPENDITURES ARE MATCHED AT 50% UP TO A CEILING AMOUNT SET FOR EACH TERRITORY BY CONGRESS.

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